



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
OWSLEY COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 1998**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Jimmie W. Herald, Owsley County Judge/Executive

Members of the Owsley County Fiscal Court

### Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Owsley County, Kentucky, as of June 30, 1998, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Owsley County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Owsley County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Owsley County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1998, in conformity with the cash basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Jimmie W. Herald, Owsley County Judge/Executive

Members of the Owsley County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Owsley County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The Fiscal Court Should Maintain Adequate Pledge Of Securities And Enter Into A Written Security Agreement

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 1999 on our consideration of Owsley County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -  
November 8, 1999

OWSLEY COUNTY OFFICIALS

Fiscal Year Ended June 30, 1998

Jimmie W. Herald	County Judge/Executive
Wade Rasner	County Attorney
Sid Gabbard	County Clerk
A. Michael Mayes	Circuit Court Clerk
Robert Hensley	Sheriff
Steven Stepp	Jailer
Monica Barrett	Property Valuation Administrator
Marvin McIntosh	County Treasurer
Robert Strong	Coroner
Jesse Johnson	Magistrate
Tony Price	Magistrate
Cale Turner	Magistrate





STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS



OWSLEY COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1998

Assets

General Fund:

Cash	\$ 6,237
Loan Receivable (Note 4)	19,721

Road and Bridge Fund:

Cash	2,355
------	-------

Jail Fund:

Cash	2,625
------	-------

Local Government Economic Assistance Fund:

Cash	33,640
------	--------

Fire Protection Fund:

Cash	938
------	-----

Capital Improvement Fund:

Cash	4,155
------	-------

Retirement Account - Cash

83

Total Assets

\$ 69,754

Liabilities and Fund Balances

Liabilities

Retirement Account

\$ 83

Fund Balances

Reserved:

Fire Protection Fund	938
----------------------	-----

Unreserved:

General Fund	25,958
--------------	--------

Road Fund	2,355
-----------	-------

Jail Fund	2,625
-----------	-------

Local Government Economic Assistance Fund	33,640
---	--------

Capital Improvement Fund	4,155
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Total Liabilities and Fund Balances

\$ 69,754

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

OWSLEY COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 1,262,657	\$ 168,262	\$ 855,617	\$ 33,329
Transfers In	238,436	167,197		71,239
Borrowed Money	34,140			
Total Cash Receipts	<u>\$ 1,535,233</u>	<u>\$ 335,459</u>	<u>\$ 855,617</u>	<u>\$ 104,568</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,287,345	\$ 303,000	\$ 690,273	\$ 104,030
Transfers Out	238,436	40,000	167,197	
Total Cash Disbursements	<u>\$ 1,525,781</u>	<u>\$ 343,000</u>	<u>\$ 857,470</u>	<u>\$ 104,030</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 9,452	\$ (7,541)	\$ (1,853)	\$ 538
Cash Balance - July 1, 1997	<u>40,498</u>	<u>13,778</u>	<u>4,208</u>	<u>2,087</u>
Cash Balance - June 30, 1998	<u><u>\$ 49,950</u></u>	<u><u>\$ 6,237</u></u>	<u><u>\$ 2,355</u></u>	<u><u>\$ 2,625</u></u>

The accompanying notes are an integral part of the financial statements.

OWSLEY COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 Fiscal Year Ended June 30, 1998  
 (Continued)

Local Government Economic Assistance Fund	Fire Protection Fund	Capital Improvement Fund	Local Government Economic Development Fund	Ambulance Fund
\$ 99,348	\$ 1,916	\$ 23,550	\$ 45,216	\$ 35,419
				34,140
<u>\$ 99,348</u>	<u>\$ 1,916</u>	<u>\$ 23,550</u>	<u>\$ 45,216</u>	<u>\$ 69,559</u>
\$ 54,006 31,239	\$ 1,866	\$ 19,395	\$ 45,216	\$ 69,559
<u>\$ 85,245</u>	<u>\$ 1,866</u>	<u>\$ 19,395</u>	<u>\$ 45,216</u>	<u>\$ 69,559</u>
\$ 14,103 19,537	\$ 50 888	\$ 4,155	\$ 0	\$ 0
<u>\$ 33,640</u>	<u>\$ 938</u>	<u>\$ 4,155</u>	<u>\$ 0</u>	<u>\$ 0</u>

OWSLEY COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 1998

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Owsley County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Owsley County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.



OWSLEY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1998  
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits and Investments

A. Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. As of June 30, 1998, the bank balances were fully insured or collateralized with securities held by the county's agent in the county's name. However, as of July 28, 1997, the uncollateralized amount on deposit was \$243,717. The pledged securities and FDIC insurance did not equal or exceed the amount on deposit. In addition, the county did not have a written agreement with the depository institution.

OWSLEY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1998  
(Continued)

Note 3. (Continued)

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of July 28, 1997.

	<u>Bank Balance</u>
Collateralized with securities held by the county's agent in the county's name	\$ 330,148
Uncollateralized and uninsured	<u>243,717</u>
Total	<u>\$ 573,865</u>

Note 4. Loan Receivable

The county paid the balance due on an ambulance loan. As of June 30, 1998, Allen's Ambulance Service owes \$19,721 to the Fiscal Court for this pay off. Allen's Ambulance Service was in compliance through out the fiscal year with the agreement to reimburse the Fiscal Court for this loan.

Note 5. Short Term Debt

The county has entered into the following lease-purchase agreements:

Liabilities of the Road and Bridge Fund are:

Description	Balance 7/1/1997	Principal Paid	Interest Paid	Balance 6/30/98
Backhoe	\$ 19,725	\$ 16,810	\$ 836	\$ 2,915
Tractor-Mower	\$ 43,392	\$ 9,368	\$ 1,498	\$ 34,024

Note 6. Insurance

For the fiscal year ended June 30, 1998, Owsley County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



OWSLEY COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1998

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
General Fund	\$ 288,146	\$ 168,262	\$ (119,884)
Road and Bridge Fund	717,298	855,617	138,319
Jail Fund	103,643	33,329	(70,314)
Local Government Economic Assistance Fund	72,349	99,348	26,999
Fire Protection Fund	2,700	1,916	(784)
Capital Improvement Fund	990,000	23,550	(966,450)
Local Government Economic Development Fund	285,323	45,216	(240,107)
Ambulance Fund	105,740	35,419	(70,321)
Total	<u>\$ 2,565,199</u>	<u>\$ 1,262,657</u>	<u>\$ (1,302,542)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 2,565,199
Add: Budgeted Prior Year Surplus			<u>366,850</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 2,932,049</u>

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SCHEDULE OF OPERATING REVENUE

OWSLEY COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
Revenue From Local Taxes <u>and Excess Fees</u>				
Sheriff:				
Taxes	\$ 87,160	\$ 85,291	\$	\$
County Clerk:				
Deed Transfer Tax	2,175	2,175		
Delinquent Taxes	3,650	3,650		
Tangible Personal Property Taxes:				
County Clerk	17,289	17,289		
Totals	\$ 110,274	\$ 108,405	\$ 0	\$ 0
<u>U.S. Treasurer</u>				
Housing Prisoners	\$ 27,805	\$	\$	\$ 27,805
<u>Federal Receipts - State Treasurer</u>				
Community Development Block				
Grants - Water Lines	\$ 23,550	\$	\$	\$
Federal Disaster and Emergency				
Services/Emergency Management				
Agency Reimbursement	20,903		19,805	
National Forestry Receipts	12,506		12,506	
Totals	\$ 56,959	\$ 0	\$ 32,311	\$ 0



OWSLEY COUNTY  
SCHEDULE OF OPERATING REVENUE  
Fiscal Year Ended June 30, 1998  
(Continued)

Local Government Economic Assistance Fund	Fire Protection Fund	Capital Improvement Fund	Local Government Economic Development Fund	Ambulance Fund
\$	\$ 1,869	\$	\$	\$
\$ 0	\$ 1,869	\$ 0	\$ 0	\$ 0
\$	\$	\$	\$	\$
\$	\$	\$ 23,550	\$	\$
1,098				
\$ 1,098	\$ 0	\$ 23,550	\$ 0	\$ 0

OWSLEY COUNTY  
 SCHEDULE OF OPERATING REVENUE  
 Fiscal Year Ended June 30, 1998  
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u>				
Jail:				
Medical Allotments	\$ 1,075	\$	\$	\$ 1,075
Driving Under The Influence Fees	792			792
Court Costs, Jail Operation	2,704			2,704
County Road Aid	504,070		504,070	
Local Government Economic Development	45,216			
Truck License Distribution	151,651		151,651	
Strip Mine Permits	10,557	10,557		
Courthouse Rental - Administrative Office of the Courts	29,991	29,991		
Refunds:				
Drivers License	483		483	
Severance Taxes:				
Coal	95,286			
Mineral	1,213			
Emergency Road Recovery	139,764		139,764	
Ambulance	16,930			
Disaster and Emergency Services Reimbursement	778			
Totals	\$ 1,000,510	\$ 40,548	\$ 795,968	\$ 4,571
<u>Miscellaneous Revenue</u>				
Interest	\$ 6,425	\$ 2,525	\$ 3,056	\$ 223
Donations	18,489			
Insurance Reimbursement	11,715	11,715		
Miscellaneous Items	30,480	5,069	24,282	730
Totals	\$ 67,109	\$ 19,309	\$ 27,338	\$ 953
Total Operating Revenue	\$ 1,262,657	\$ 168,262	\$ 855,617	\$ 33,329

OWSLEY COUNTY  
 SCHEDULE OF OPERATING REVENUE  
 Fiscal Year Ended June 30, 1998  
 (Continued)

Local Government Economic Assistance Fund	Fire Protection Fund	Capital Improvement Fund	Local Government Economic Development Fund	Ambulance Fund
\$	\$	\$	\$	\$
			45,216	
95,286				
1,213				
				16,930
778				
\$ 97,277	\$ 0	\$ 0	\$ 45,216	\$ 16,930
\$ 574	\$ 47	\$	\$	\$
				18,489
399				
\$ 973	\$ 47	\$ 0	\$ 0	\$ 18,489
\$ 99,348	\$ 1,916	\$ 23,550	\$ 45,216	\$ 35,419

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



OWSLEY COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 42,054	\$ 42,054	\$
Office Materials and Supplies	4,000	2,244	1,756
Office of County Attorney:			
Salaries-			
County Attorney	7,226	7,000	226
Secretaries	5,670	5,670	
Office of County Clerk:			
Deputies Salaries	13,512	13,013	499
Indexing	739	601	138
Office of Jailer:			
Housing Prisoners	4,625	4,625	
Office of Sheriff:			
Salaries-			
Road Patrol Deputies Salaries	14,275	13,532	743
Office Supplies	1,100	900	200
Office of County Coroner:			
Ambulance	20,500	19,422	1,078
Fiscal Court:			
Magistrates or Commissioners-			
Salaries	21,600	21,600	
Office Materials and Supplies	886	886	
Printing	7,932	7,932	
Fiscal Court Clerk Salary	10,200	10,200	
Office of Property Valuation Administrator:			
Office Materials and Supplies	3,041	3,041	

OWSLEY COUNTY  
 COMPARATIVE SCHEDULE OF FINAL BUDGET AND  
 BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1998  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Office of Board of Assessment Appeals:			
Per Diem	\$ 175	\$	\$ 175
Office of County Treasurer:			
County Treasurer Salary	10,106	10,106	
Office of County Finance Director:			
County Finance Director Salary	18,096	18,093	3
County Law Library:			
Law Librarian Salary	600	600	
Elections:			
Per Diem-			
Election Commissioners	1,680	1,680	
Election Officers	2,300	2,290	10
Printing and Advertising	5,377	2,703	2,674
Polling Place Rent	160	160	
Courthouse:			
Janitor's Salary	12,078	12,077	1
Equipment	5,100	4,729	371
Reversals and Repairs	7,750	7,742	8
Telephone	2,860	2,857	3
Utilities	15,293	15,125	168
<u>Administration</u>			
Audit Services	26,237	26,236	1
KACO Dues	1,600	1,600	



OWSLEY COUNTY  
 COMPARATIVE SCHEDULE OF FINAL BUDGET AND  
 BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1998  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Administration</u> (Continued)			
Contingent Appropriations:			
Reserve For Budget Transfers	\$ 5,487	\$ 4,639	\$ 848
Fringe Benefits:			
County Contributions-			
Social Security	19,250	18,563	687
Retirement	21,637	21,080	557
Total General Fund	\$ 313,146	\$ 303,000	\$ 10,146
<u>ROAD AND BRIDGE FUND</u>			
<u>General Government</u>			
Fiscal Court:			
Magistrates Expense Allowance	\$ 10,800	\$ 10,800	\$
<u>Roads</u>			
Office of Road Supervisor:			
Road Supervisor Salary	19,820	18,968	852
Insurance	52,665	52,664	1
Telephone	291	291	
Utilities	1,061	1,061	
Miscellaneous	100	85	15
Road Maintenance:			
Road Labor Salaries	102,512	97,084	5,428
Maintenance and Repairs	44,500	44,264	236
Road Materials	157,558	156,462	1,096

OWSLEY COUNTY  
 COMPARATIVE SCHEDULE OF FINAL BUDGET AND  
 BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1998  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND (Continued)</u>			
<u>Capital Projects</u>			
Bridges:			
Contracted Construction	\$ 171,002	\$ 170,865	\$ 137
Equipment:			
Backhoe Lease	38,000	32,375	5,625
Road Grader	2,000		2,000
Streets and Highways:			
Contracted Construction	69,350	69,234	116
Right-of-way	100		100
<u>Administration</u>			
General Services:			
One-Half of National Forestry Receipts to School District	6,837	6,253	584
Contingent Appropriations:			
Reserve for Budget Transfers	512		512
Fringe Benefits:			
County Contributions-			
Retirement	15,000	10,973	4,027
Social Security	13,000	9,704	3,296
Worker's Compensation	12,190	9,190	3,000
Total Road and Bridge Fund	<u>\$ 717,298</u>	<u>\$ 690,273</u>	<u>\$ 27,025</u>

OWSLEY COUNTY  
 COMPARATIVE SCHEDULE OF FINAL BUDGET AND  
 BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1998  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u>			
<u>Protection to Persons and Property</u>			
Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 15,700	\$ 15,700	\$
Jail Personnel	12,012	12,012	
Housing Prisoners-Other Counties	56,968	56,807	161
Housing Juveniles-Other Counties	5,043	2,634	2,409
Transporting Prisoners	7,028	6,141	887
Routine Medical	5,264	5,262	2
Telephone	675	672	3
Travel	200		200
Conference	139		139
Miscellaneous Operating Expense	100		100
<u>Administration</u>			
Contingent Appropriations:			
Reserve for Budget Transfers	100		100
Fringe Benefits:			
County Contributions-			
Retirement	2,400	2,397	3
Social Security	2,014	2,405	(391)
Total Jail Fund	\$ 107,643	\$ 104,030	\$ 3,613

LOCAL GOVERNMENT ECONOMIC  
ASSISTANCE FUND

General Government

Office of Sheriff:

Salaries-			
Sheriff	\$ 5,885	\$ 5,880	\$ 5
Deputies	12,132	12,132	
Equipment	8,200	8,200	
Supplies	1,000	1,000	

OWSLEY COUNTY  
 COMPARATIVE SCHEDULE OF FINAL BUDGET AND  
 BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1998  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
LOCAL GOVERNMENT ECONOMIC <u>ASSISTANCE FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Disaster and Emergency Services:			
Director Salary	\$ 3,465	\$ 3,465	\$
Travel	600	600	
Utilities	2,830	2,826	4
Supplies	240	137	103
Equipment	670	234	436
Office of Coroner:			
Salaries-			
Coroner	3,600	3,600	
Deputy Coroner	1,386	1,386	
County Fire Department:			
Fuel	3,600	3,600	
Rescue Squad:			
Support	1,500	1,437	63
Senior Citizens Program:			
Contribution	3,750	3,750	
Public Advocate:			
Support Program	1,425	1,425	
General Health and Sanitation:			
Dog Warden Salary	165	15	150
Road Maintenance:			
General Construction Materials	29,599		29,599
<u>Administration</u>			
General Services:			
General Administrative Support	110	110	

OWSLEY COUNTY  
 COMPARATIVE SCHEDULE OF FINAL BUDGET AND  
 BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1998  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Contingent Appropriations:			
Reserve for Budget Transfers	\$ 64	\$	\$ 64
Fringe Benefits:			
County Contributions-			
Retirement	2,668	2,181	487
Social Security	1,960	2,028	(68)
Worker's Compensation	2,500		2,500
Total Local Government Economic Assistance Fund	\$ 87,349	\$ 54,006	\$ 33,343
<u>FIRE PROTECTION FUND</u>	\$ 3,550	\$ 1,866	\$ 1,684
<u>CAPITAL IMPROVEMENT FUND</u>			
Water Line Installation	\$ 990,000	\$ 19,395	\$ 970,605
<u>LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND</u>			
Economic Development:			
Industrial Park	\$ 577,323	\$ 45,216	\$ 532,107
Project Carryover Payment	30,000		30,000
Total Local Government Economic Development Fund	\$ 607,323	\$ 45,216	\$ 562,107
<u>AMBULANCE FUND</u>			
Equipment:			
New Ambulance	\$ 101,591	\$ 65,410	\$ 36,181
Ambulance Equipment	4,149	4,149	
Total Ambulance Fund	\$ 105,740	\$ 69,559	\$ 36,181
TOTAL BUDGET - ALL FUNDS	\$ 2,932,049	\$ 1,287,345	\$ 1,644,704

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







## Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Jimmie W. Herald, Owsley County Judge/Executive  
Members of the Owsley County Fiscal Court

### Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Owsley County, Kentucky, as of and for the year ended June 30, 1998, and have issued our report thereon dated November 8, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether Owsley County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that are required to be reported under Government Auditing Standards.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Owsley County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Owsley County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Jimmie W. Herald, Owsley County Judge/Executive  
Members of the Owsley County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
November 8, 1999

## COMMENT AND RECOMMENDATION



OWSLEY COUNTY  
COMMENT AND RECOMMENDATION

Fiscal Year Ended June 30, 1998

REPORTABLE CONDITION

NONCOMPLIANCE

The Fiscal Court Should Maintain Adequate Pledge Of Securities And Enter Into A Written Security Agreement

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. As of June 30, 1998, the bank balances were fully insured or collateralized with securities held by the county's agent in the county's name. However, as of July 28, 1997, the uncollateralized amount on deposit was \$243,717. The pledged securities and FDIC insurance did not equal or exceed the amount on deposit. In addition, the county did not have a written agreement with the depository institution.

*Management's Response:*

*The Fiscal Court will utilize the sample written security agreement and develop an agreement of their own. They will also try to keep pledges adequate in the future.*

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**CERTIFICATION OF COMPLIANCE – LOCAL  
GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

**OWSLEY COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1998



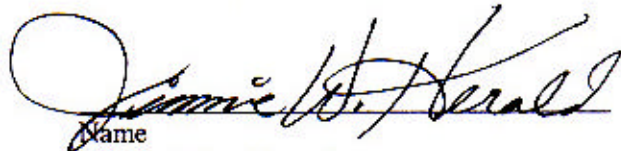


CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

OWSLEY COUNTY FISCAL COURT

The Owsley County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in black ink, reading "Jamie W. Herald", written over a horizontal line.

Name  
County Judge/Executive

A handwritten signature in blue ink, reading "Marvin McEntor", written over a horizontal line.

Name  
County Treasurer